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RV BUSINESS APR/10 1987

Micro Firms React to Recall Request

The National Highway Traffic Safety Administration (NHTSA) says it is "not happy" with the reactions of micro-minimotorhome manufacturers to a recent NHTSA letter requesting a voluntary micro recall to correct problems of chassis-overloading.

In a letter to some 20 micro manufacturers, Philip W. Davis, director of the Office of Defects Investigation and Enforcement for NHTSA, had said that, after gathering data from "200 industry-wide reports of overload-related complaints and failures," he was giving manufacturers the option of implementing a voluntary recall to correct any safety-related defects, or of explaining to NHTSA why a recall is not necessary. He also warned that, should a manufacturer determine a recall was unnecessary, NHTSA retained the right to open a "formal defect investigation," which could lead to an involuntary recall of the units in question.

"So far we've received a variety of responses to the initial letter, but none of them have been very encouraging," said a NHTSA spokesman. "Most of them have taken the approach of 'Why pick on me, it's the other guy.' Other responses

continued on page 9

AIR CONDITIONING
SERVICE TIPS AND BUYERS GUIDE

(See pages 42 and 46)

Al[illegible]bandons Winn[illegible]bago As Sole Supplier

American Land Cruisers (ALC), Miami, one of the nation's largest rental fleet operators and the nation's largest wholesale dealer of Winnebago motorhomes, has recently switch supplier allegiance in its 1987 rental-fleet motorhome purchases, ending a 14-year tradition of buying exclusively from Winnebago Industries Inc. ALC announced that it will purchase 500 Class A and Class C units from Coachmen Industries Inc., 200 from Fleetwood Enterprises Inc., and a smaller but undetermined number from Winnebago in '87.

"There are no hard feelings between Winnebago and ALC," said Robert Smalley Sr., ALC president. "Each year for the past several years, we have shown a 20% increase in the number of rental motorhomes we use. ALC is a large company, and we needed to expand for variety."

Smalley said that ALC will

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APRIL 10, 1987 TWO DOLLARS

RV BUSINESS

VOLUME 38, NUMBER 1

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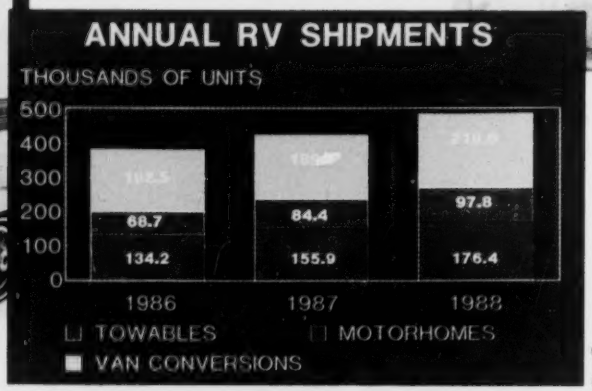

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GOOD TIMES AHEAD FOR RV INDUSTRY

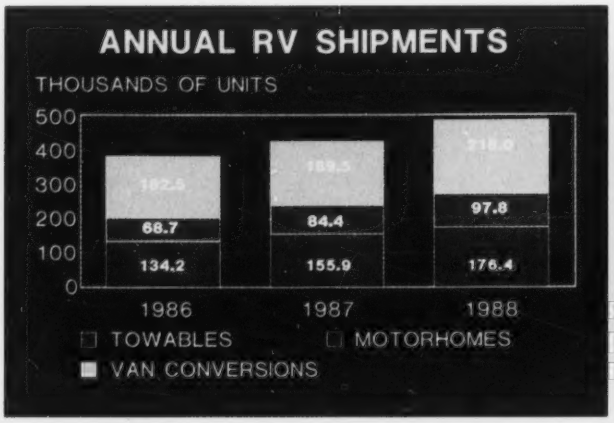
MORTON MARCUS

If you liked 1986, you'll love 1987. There are no big surprises in the economic forecast for the nation. Continued sluggish growth is in store for the United States in 1987, with a pickup developing in 1988.

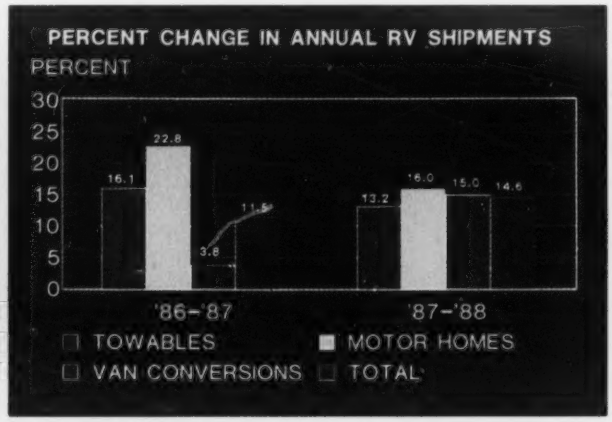
The federal government's path for both monetary and fiscal policy is likely to be one of restraint. Business progress will depend on the continuation of strong consumer spending. Nonresidential investment is forecast to remain stagnant. And, although exports will expand with a lower dollar, the same can be said for imports—leaving the trade deficit where it is now.

But the RV industry does not mirror the national economy, and after a somewhat slow start in the first quarter of 1987, the industry should do very well in 1987 and 1988.

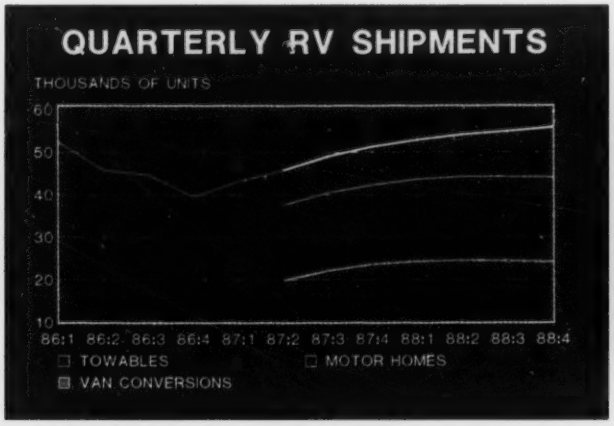
That is the forecast developed by the Indiana University School of Business. The national forecast was prepared under the direction of R. Jeffrey Green; the RV forecast was developed by Charles Hageboeck; graphics and text specifically prepared for *RV Business* are the work of Morton J. Marcus, director of the Indiana Business Research Center, a regular contributor.



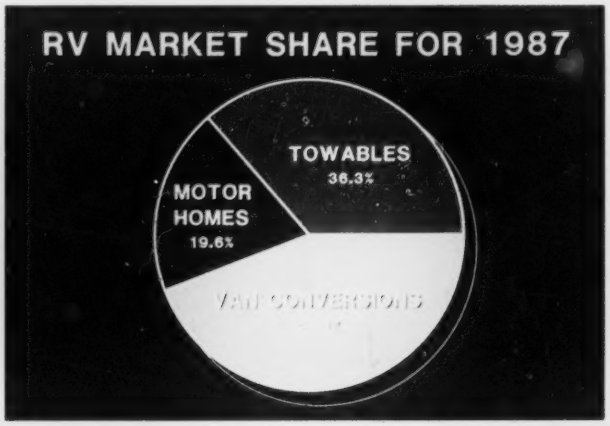
This year and next both look better for the RV industry. Total shipments are expected to rise from 385,000 in 1986 to 430,000 in 1987, and, with good economic fortune, move to more than 490,000 units in 1988. Nearly half of the increase of 44,000 units in 1987 is to be found among towable models.



The growth rate for the industry is forecast at 11.5%, with motorhomes gaining a very strong 22.8% over 1986. Van conversions, after years of strong gains, are expected to post a modest 3.8% increase. In 1988, the industry should pick up 14.6% in unit shipments, with all three sectors growing by more than 13%.



After successively declining quarters in 1986, van conversions are expected to rise steadily in 1987 and 1988. Towables are predicted to show a slight drop in early 1987, but a pattern of advances are forecast for 1987 and are followed by a leveling in 1988. Motorhomes show a similar pattern of growth in 1987, with a fairly flat performance in 1988.



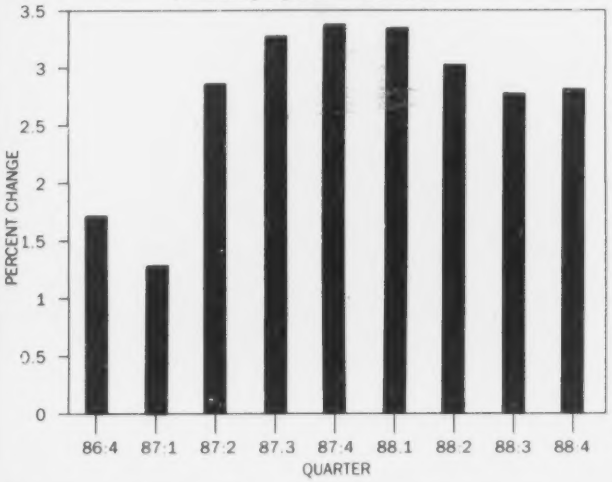
After steadily increasing their market share, van conversions are not forecast to grow as fast as the rest of the RV market in the next year. Hence in 1987, they will have a market share of 44%, down from 47% in 1986. Towables and motorhomes are expected to divide gains in market share about evenly.

GRAPHICS: CUSTOM COLOR VISUALS

QUARTERLY FORECAST

GROWTH IN REAL GNP

(Seasonally adjusted annual rates)



Real growth will continue in the U.S. economy in both 1987 and 1988. The low point seems to be the first quarter of 1987, with steadily increasing growth rates as the year progresses, approaching 3.5% by the fourth quarter. Then in 1988, the rate of increase will once again fall off, dropping toward a sluggish 2.5%, which was the 1986 annual rate of increase in real GNP.

GROWTH BY SECTOR

(Percent changes; seasonally adjusted annual rates)

	Personal-Consumption Expenditures	Nonresidential Investment	Residential Investment	Government Purchases of Goods & Services
1986	4.05%	-1.39%	9.38%	3.71%
1987	2.82	-3.05	0.89	2.72
1988	3.47	0.26	1.03	2.21

Residential investment, which was a major source of economic strength in 1986, will be just about flat in 1987. Business investment in plant and equipment will continue to decline, with a slight upturn anticipated in 1988. Government spending on goods and services will grow at ever slower rates. Only personal-consumption expenditures by households advance with any strength, and those are moderate gains.

FOREIGN TRADE

(Seasonally adjusted annual rates)

	Exports (billions of dollars)*	Imports (billions of dollars)*	Net Exports (billions of dollars)*
1986	371.40	-521.00	-149.70
1987	411.80	-559.20	-147.40
1988	442.10	-587.70	-145.60

Exports will continue to advance in 1987 and 1988. But, at the same time, imports will grow so that the trade deficit remains about even. The declining dollar helps, but not enough to offset aggressive marketing and vigorous price competition from abroad. Between 1986 and 1988, the trade deficit is thus forecast to decline a scant $4 billion or just 2.7%.

*1982 dollars; adjusted for inflation

FEDERAL SURPLUS (DEFICIT)

(Seasonally adjusted annual rates)

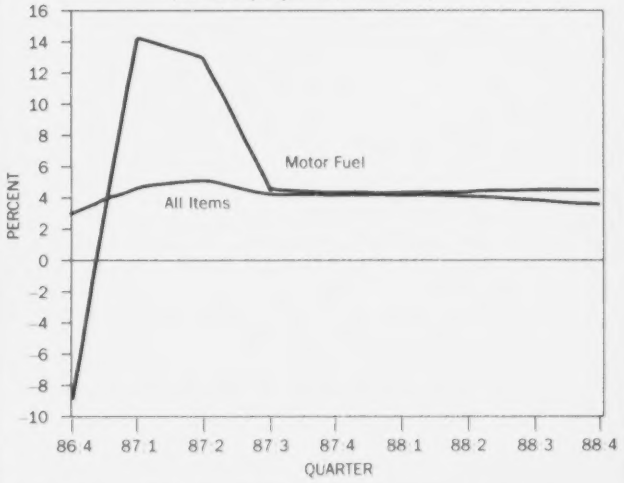
Calendar Year	Federal Deficit (billions of dollars)*
1986	-203.30
1987	-190.80
1988	-189.80

The improvements in the federal deficit will be slight and nowhere near the magnitudes promised by Washington political rhetoric. Congress will have to find new accounting methods or some relaxation in the Gramm-Rudman law to make reality agree with its announced objectives.

*1982 dollars; adjusted for inflation

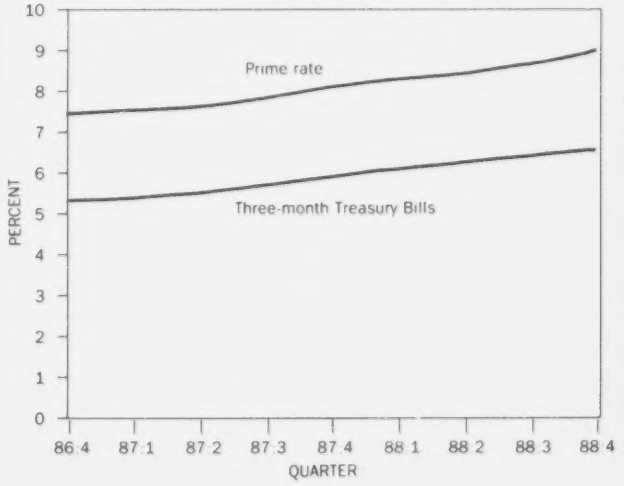
PERCENT CHANGE IN CONSUMER PRICES

(Seasonally adjusted annual rates)



By the summer of 1987, the big increases in motor fuel prices should be behind us. From then on, through the end of 1988, the increases in motor fuel prices should be only somewhat higher than the general increase in consumer prices. For 1987, the Consumer Price Index (CPI) is expected to rise by 3.6%, with a 1988 rate of 4.1%.

INTEREST RATES



Interest rates are on the rise, but the increases are expected to be very moderate. From the end of 1986 to the end of 1988, the three-month Treasury-Bill rate is expected to rise by only 1.2 percentage points. The prime rate charged by major banks will rise with a slightly more restrictive monetary policy by 1.5% points, to close 1988 at 9%.

AUTO SALES

(Millions of units; seasonally adjusted data)

	Domestic	Imports
1986	8.39	3.25
1987	5.67	3.43
1988	6.17	3.36

Domestic auto manufacturers will see sales declines in 1987 and only a modest recovery in 1988. After selling 11.6 million new cars in 1986, the total market will fall to 9.1 million units in 1987 and then rise to only 9.5 million in 1988. The import market share will rise again, from 28% in 1986 to more than 35% by 1988. Δ

DAB PERSPECTIVE

	FOR MONTH			YEAR-TO-DATE			FOR MONTH			YEAR-TO-DATE		
	JAN. 1987	JAN. 1986	% CHANGE	1987	1986	% CHANGE	JAN. 1987	JAN. 1986	% CHANGE	1987	1986	% CHANGE
MOTORHOMES	51	76	− 33	51	76	− 33	56	52	+ 8	56	52	+ 8
TRAVEL TRAILERS	49	59	− 17	49	59	− 17	37	45	− 18	37	45	− 18
TRUCK CAMPERS	21	17	+ 24	21	17	+ 24	5	3	+ 40	5	3	+ 40
CAMPING TRAILERS	91	80	+ 14	91	80	+ 14	7	11	− 36	7	11	− 36
FIFTH-WHEELS	14	6	+133	14	6	+133	7	3	+133	7	3	+133

	JAN. 1987	JAN. 1986	% CHANGE	1987	1986	% CHANGE
SALES VOLUME	$5,103,119	$5,656,912	−10	$5,103,119	$5,656,912	−10
TOTAL UNIT SALES	338	352	− 4	338	352	− 4
NEW-UNIT SALES	226	238	− 5	226	238	− 5
USED-UNIT SALES	112	114	− 2	112	114	− 2

JANUARY SALES POST SLIGHT DIP

GAYLORD MAXWELL

There was some fear in December 1986 that booming sales for that month meant fewer sales in January. That fear was justified. A downturn, not a severe one, but a definite drop, shows up in the January reports of members of *RV Business*' Dealer Advisory Board (DAB).

Both dollar and unit sales (new and used) were down from the previous January. Hopefully, it will be a short-lived hangover from the sales binge brought on by a desire to take advantage of sales-tax deductions eliminated by the tax reform.

New motorhome and travel-trailer sales in January slipped most, compared to last year. The other three RV categories showed increases. Used sales were up in three categories, and down in two.

January's gross profits were generally rated as fair to good on new units and good on used, but there was a definite downward slide in the latter. Accessory profits were lower than usual. Overall gross profits were rated fair; net profit ratings were definitely on the poor side.

New-unit inventories were a bit on the high side for the month. Used-unit inventory varied, with reports evenly split between low and high. Lot traffic was rated average to low. The number of new buyers appeared to be about average.

Overall, in spite of the slight downturn, January was a good month for dealers. The 64% sales-volume increase in December could have meant a much larger than 10% decrease in January. Chances are, February will see a return to normality.

Considering what the sales picture might have been in January, it was actually a good start, and we conclude that we are in for a good year.

Motorhomes

New-motorhome sales skidded more than any other RV type in January. With the tremendous upsurge that occurred in December, that was expected. With only a couple of exceptions, DAB motorhome dealers—large and small—saw sales drop in the first month of the new year, compared to January 1986. Used sales, though, were slightly ahead of the previous year.

Apparently, motorhome dealers took some skinny deals, because profits were rated to be only fair.

Travel Trailers

Generally, dealers of this RV type matched, or were close to, last year's sales of new units; however, a tremendous drop by one large dealer on the DAB sent the percentages plunging. The used-sales drop was more evenly distributed among the board members. Profits were relatively good, with ratings generally in the good to fair range.

Truck Campers

Both new and used units got off to a good start this year. The unit numbers weren't large, but the percentages were impressive. Not only were sales up, but profits were rated as excellent.

Camping Trailers

The folding camping trailers also were off to a good start. Most serious dealers of this RV type reported increased new-unit sales in January. Three of the largest had tremendous increases in the early shows. As might be expected during the winter months, used sales were down. Profit reports were very mixed, ranging all the way from poor to excellent.

Fifth-wheels

The percentage increase in new-unit sales was fantastic for January, although the actual number of units sold wasn't large. Perhaps more impressive is the fact that nine DAB dealers reported fifth-wheel sales during January, compared to only four last year. Obviously, more dealers are getting a slice of the pie. Used sales were reported to be equally good, and this bodes well for those who stock this RV type. Profits were rated good to fair. Δ

The "DAB Perspective" is a compilation of data provided by *RV Business* Dealer Advisory Board (DAB), a group comprised of 20 dealers representing a cross-section of the U.S. dealer body.

Gaylord Maxwell, chairman
Dave Altman, Baldwin Park, Calif.
Annette Autry-Miller, Fayetteville, N.C.
Robert Azevedo, Sunnyvale, Calif.
Jack Cole, North Hollywood, Calif.
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Dale Thompson, Houston, Texas
Fran Van Pelt, Aurora, Ill.

This report is an attempt to reflect the current retail sales picture; it does not purport to indicate RV production or factory sales to dealers.